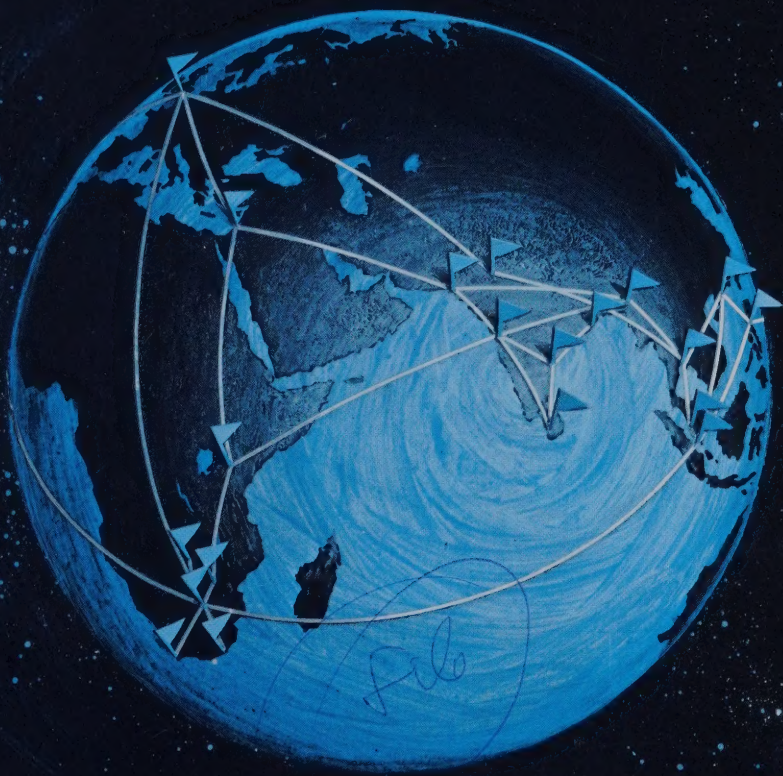


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GRANT ADVERTISING INTERNATIONAL, INC. ANNUAL REPORT 1966

Grant Advertising International, Inc.

10 South Riverside Plaza, Chicago, Illinois 60606

Offices

Africa

JOHANNESBURG,
CAPE TOWN AND DURBAN,
REPUBLIC OF SOUTH AFRICA,
SALISBURY, RHODESIA
NDOLA, ZAMBIA

Canada

TORONTO, WINDSOR
AND MONTREAL

Europe

LONDON, ENGLAND

Southeast Asia

BANGKOK, THAILAND
HONG KONG
KUALA LUMPUR, MALAYSIA
MANILA, PHILIPPINES
SINGAPORE

Southwest Asia

BOMBAY, CALCUTTA,
NEW DELHI AND MADRAS, INDIA
KARACHI AND DACCA, PAKISTAN
COLOMBO, CEYLON

South America

BUENOS AIRES, ARGENTINA
CARACAS, VENEZUELA
SANTIAGO, CHILE
RIO DE JANEIRO
AND SAO PAULO, BRAZIL

Directors

WILL C. GRANT, *Chairman*
GEOFFREY J. D. BROOKES
EUGENE COOPER
REGINALD S. J. DAVIDSON
JOHN A. DEY
WILLIAM BRICEN MILLER,
(Partner, Lord, Bissell & Brook, Chicago)
MARJORIE PRENTISS
ROBERT J. RUNTZ
RAIMUNDO SCARAMPI
BURTON J. VINCENT,
(President, Burton J. Vincent & Co.)
JOSEPH G. WREN

Officers

WILL C. GRANT, *Chairman of Board and President*
JOSEPH G. WREN, *Executive Vice President*
ROBERT J. RUNTZ, *Vice President and Secretary-Treasurer*
GEOFFREY J. D. BROOKES, *Vice President*
REGINALD S. J. DAVIDSON, *Vice President*
JOHN A. DEY, *Vice President*
RAIMUNDO SCARAMPI, *Vice President*

Transfer Agents

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO
231 South La Salle Street—Chicago, Illinois

Attorneys

KIRKLAND ELLIS HODSON CHAFFETZ & MASTERS
Prudential Building—130 East Randolph—Chicago, Illinois

Auditors

PRICE WATERHOUSE & CO.
Prudential Building—130 East Randolph—Chicago, Illinois

To Our Shareholders:

Your company achieved new levels of billings, gross income and net earnings during 1966. Billings to clients rose to \$23,631,694, an increase of \$1,475,161 over 1965, the previous high. Gross income, consisting principally of agency commissions and service fees, rose to \$4,473,385, a gain of \$417,308. Net earnings for 1966 amounted to \$307,944, or 68 cents per share, an increase of 5.9 percent over the previous year.

The earnings increase was recorded despite extraordinary foreign exchange losses of \$66,745, larger than any previous year. This compares with a similar loss of \$1,746 in 1965 and an exchange gain of \$96 in 1964.

DIVERSIFICATION

The importance of our world-wide diversification both in geographic areas and clients has been demonstrated by the past year's gain. Most of the 18 nations in which your company maintains 27 offices showed favorable economic growth.

EXPANSION

During the year a new office was opened in Ndola, Zambia and currently we are in the process of opening another new office in Beirut, Lebanon. Thus, we expect this office to be the first U.S. based advertising agency in the Middle East, just as we have also been the first U.S. agency to open in a number of other countries in the past.

On March 2, 1967, the board of directors voted to exercise the company's option to acquire the Mexico City office of Grant Advertising, the parent company. Terms were for a cash sum equivalent to three times earnings plus net assets at book value.

The Mexico office, which celebrated its 25th anniversary last year, was the first American agency in that country. It has 39 accounts, 14 of them acquired during 1966.

Mexico is considered an advanced developing nation. The announcement by President Diaz on September 21 of a national growth goal of 6 percent a year was supplemented by announcements of large-scale expansionary plans by some of the nation's largest industries. Mexico has almost reached its goal of self-sufficiency in food production. The Mexican peso was considered stronger in 1966 than any year since 1954.

NEW ACCOUNTS

During 1966 there was a net increase of 51 clients through the acquisition of new accounts.

OUR PERSONNEL DEVELOPMENT PROGRAM

The area and regional supervisors have all risen to their positions from those of managers of an office. Their average length of service with the company is in excess of 15 years. General Managers of individual offices have in turn risen from lesser positions in the company and have an average of service with the company of six years.

Many of the creative staffs have served periods of work in other offices to broaden their training.

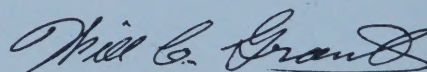
ADVERTISING VOLUME CONTINUES TO GROW IN INTERNATIONAL MARKETS

The increase in volume where our various offices are located has continued to be materially faster than the growth even in the United States, according to published reports and from our own observations.

World-wide, the advertising industry is continuing to become more sophisticated and demands skilled advertising agency work.

The long experience we have had in markets around the globe has been a major factor in the many accounts we have had for many years and in the acquisition of so many new accounts.

We expect continued progress in 1967.



Chairman of the Board

COMPARATIVE HIGHLIGHTS YEARS ENDED DECEMBER 31

	1961	1962	1963	1964	1965	1966
Gross Billings to Clients	\$15,688,668	\$18,034,404	\$18,847,848	\$22,151,223	\$22,156,533	\$23,631,694
Commissions, Service Fees & Other Income	2,795,939	3,214,774	3,410,600	4,001,187	4,056,077	4,473,385
Net Income (after pro forma adjustments in 1961 to 1964)	202,962	181,160	93,162	285,907	290,834	307,944
Earnings per Share (after pro forma adjustments in 1961-1964, and based on 450,780 shares presently outstanding)	.45	.40	.21	.63	.65	.68

Our Client Services

Grant International first provides clients a full range of advertising agency services whereby with talented and experienced staffs, we plan, prepare and place advertising for them. But these are only the basic essentials in the operation of an advertising agency.

In innumerable cases, we have helped our clients with important information about the local market and have participated in the formulation of marketing programs of which advertising is one of several essential ingredients.

In numerous cases, after gauging market potentials for individual clients, we have located reliable importers and distributors and at times have in turn worked with the distributors in helping to effect distribution for the client's product.

In some cases where a qualified distributor could not be located, we have actually handled distribution ourselves to make sure that the client's advertising expenditures were not wasted through lack of this distribution.

In many instances, we have been called on to supply a general picture of the potentials of the client's products in a particular country and have repeatedly done this with the speed possible only through an international network, cohesively organized and trained.

Most importantly, we have been able to supply creative talent familiar with the mores and customs of the local market and capable of producing an outstanding quality of advertising.

On the following five pages are examples of our advertising in various countries

The first two pages are samples of magazine and newspaper advertisements.

Last year we produced 980 different magazine ads, 5,406 newspaper ads, 272 outdoor signs and 1,700 promotion pieces. We also created 1,528 different radio commercials in over 70 languages and dialects.

The samples of our TV and Cinema films on the next three pages are representative of the 642 we produced last year in the many local languages.

[illegible][illegible]

Sabuni ya Cadum

iliyo na lanolin

ଆମିଆ



บุตรีรสเนตรอล กัมกรองมานสา
เขียนขึ้นจริง สดสดใสตัง... **สายฝน**



ທຽງສານີ່ຝ່າງສາຍຈຽງ..ໄມໄປເພາະຟຣັມ ໂກດັກ ຫຼື

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Uitgeverij De Persgroep, 2014. 128 p. 18 cm. € 12,90.




1 grama de vitamina C "protegida"

e suco de laranja liofilizado



Tempo by Poly-Flor makes do-it-yourself child's play

First come to ground protein flowering. So many bright and breezy poems to choose from. Marjorie Pryor's *Shades*, a State poetry prize winner, is a gem. Each of various shades of particular color schemes. The poems always look extra shiny. *November* Temples has a built-in theme, is patterned perfectly and made to



POLY-FLO

tempo

Empo
where is it yours? (usually not)



Signal 2-Dupe Hardtop, Wheelbase 111

**"live it up"
hardtop !**

If you're a member of the "We-It-Up" generation, Valiant has handpicks styled to match your mood. There's LIVE-IT-UP action with an optional 235 hp. V8 that can be tamed with a 4-speed stick or the best automatic in the business. You can't go anywhere else and get so much handpicks for so little money... that's why Valiant outsells them all. See your Plymouth or Dodge dealer. He has convertibles...and 2-door and 4-door sedans too!

NOBODY BEATS
Valiant
FOR VALUE

B-KRAB-00000-MILB POWER-TRAIN WARRANTY



Chambers' first line is a great line: "No, Cuba. Attention, you're watching a heart-pounding surge, an uprising in the name of love to save the world! Not the code. Code, Code out you go."

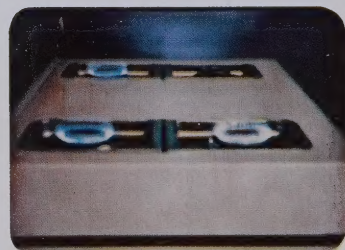
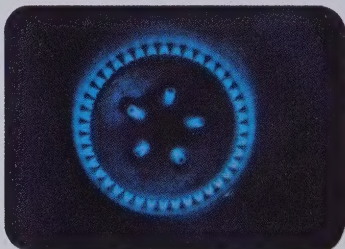
Coro-Chek introduces you first.

Coca-Cola is the registered name mark of The Coca-Cola Company.

things
go better
with
big, big

Coke

In the Republic of the Philippines, consisting of 7,080 islands, most housewives could never look forward to having gas piped to their homes. Mobil makes the convenience of modern cooking immediately available to all with LP-gas, MOBIL-FLAME "bottled gas," and informs them through Mobil advertising in the various languages spoken on the different islands.



In the launching of "Falling Rain" mentholated cigarettes in Thailand, "everything went right." Client and agency thoughtfully sifted all marketing information. Distribution and advertising were coordinated. TV and cinema commercials with the lovely background of Thai music drew a responsiveness from Thai consumers that made "Falling Rain" become a best seller in record breaking time.



Although it is pronounced "Fee-ray-sto-nay" in Argentina, it is the same quality tire called "Firestone" in the United States. Firestone has long recognized the demonstration value of TV and cinema produced in authentic settings. Grant Advertising Argentina has served this respected client for twenty-three consecutive years.



GRANT ADVERTISING INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1966 AND 1965

	1966	1965
GROSS BILLINGS TO CLIENTS	\$23,631,694	\$22,156,533
COMMISSIONS AND SERVICE FEE INCOME	\$ 4,426,543	\$ 3,967,305
OTHER INCOME—NET	46,842	88,772
	<u>4,473,385</u>	<u>4,056,077</u>
OPERATING EXPENSES:		
Salaries and other employee benefits and expenses	2,476,596	2,377,883
Office and general administrative expenses	1,098,829	972,095
Depreciation	57,554	64,488
Interest	10,878	6,465
Foreign exchange adjustments	66,745	1,746
	<u>3,710,602</u>	<u>3,422,677</u>
INCOME BEFORE TAXES ON INCOME	762,783	633,400
PROVISION FOR FOREIGN TAXES ON INCOME (note 4)	327,648	214,202
	<u>435,135</u>	<u>419,198</u>
MINORITY INTEREST IN INCOME OF SUBSIDIARIES	127,191	128,364
NET INCOME	<u>\$ 307,944</u>	<u>\$ 290,834</u>
NET INCOME (Per Share)	<u>\$.68</u>	<u>\$.65</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1966 AND 1965

	1966	1965
RETAINED EARNINGS AT BEGINNING OF YEAR	\$ 259,591	\$ 103,991
NET INCOME	307,944	290,834
CASH DIVIDENDS DECLARED (\$.40 and \$.30 per share, respectively)	<u>(180,312)</u>	<u>(135,234)</u>
RETAINED EARNINGS AT END OF YEAR (note 3)	<u>\$ 387,223</u>	<u>\$ 259,591</u>

(See notes to consolidated financial statements)

Consolidated Balance Sheet

ASSETS	1966	1965
CURRENT ASSETS:		
Cash	\$1,133,364	\$1,059,811
Marketable securities	30,000	32,000
Trade accounts receivable, less allowance for doubtful accounts of \$36,012 and \$43,115, respectively	3,584,530	3,635,652
Other accounts and notes receivable	<u>185,202</u>	<u>93,611</u>
	3,769,732	3,729,263
Expenditures billable to clients	108,149	105,436
Deposits and prepaid expenses	<u>63,210</u>	<u>118,432</u>
Total current assets	<u>5,104,455</u>	<u>5,044,942</u>
NOTES RECEIVABLE AND DEFERRED CHARGES:		
Notes receivable, less allowance for doubtful note of \$32,781 and \$40,090, respectively	22,406	28,306
Deferred charges and other assets	<u>27,001</u>	<u>25,437</u>
	49,407	53,743
RECEIVABLE FROM ASSOCIATED COMPANIES—net	<u>52,805</u>	<u>86,898</u>
FIXED ASSETS, at cost:		
Building	62,257	47,648
Furniture, fixtures and equipment	538,798	544,209
Leasehold improvements	<u>67,089</u>	<u>47,977</u>
	668,144	639,834
Less—Accumulated depreciation and amortization	<u>321,666</u>	<u>348,831</u>
	<u>346,478</u>	<u>291,003</u>
	<u>\$5,553,145</u>	<u>\$5,476,586</u>

(See notes to consolidated financial statements)

December 31, 1966-1965

LIABILITIES	1966	1965
CURRENT LIABILITIES:		
Bank loans payable	\$ 97,395	\$ 103,083
Accounts payable	3,607,688	3,729,254
Accrued liabilities:		
Salaries and related expenses	220,401	232,747
Other	63,580	66,437
	283,981	299,184
Foreign taxes on income (note 4)	295,741	253,824
Dividends payable	45,078	45,078
Dividend payable to minority interest in South African subsidiary	53,900	50,993
Total current liabilities	4,383,783	4,481,416
MINORITY INTEREST IN SUBSIDIARIES	301,430	257,177
SHAREHOLDERS' EQUITY:		
Common stock, no par value, 750,000 shares authorized, 450,780 shares issued and outstanding	477,669	477,669
Equity in paid-in capital of South African subsidiary	3,040	733
Retained earnings, per accompanying statement (Note 3)	387,223	259,591
	867,932	737,993
	<u>\$5,553,145</u>	<u>\$5,476,586</u>

**Notes to Consolidated
Financial Statements
December 31, 1966**

NOTE 1—PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of Grant Advertising International, Inc. and its domestic and foreign subsidiaries. The accounts of the foreign branches and subsidiaries have been translated to U. S. dollars under the following translation principles:

- (a) Assets (except fixed assets and related accumulated depreciation and amortization) and liabilities—translated at rates of exchange in effect at December 31, 1966, except for subsidiaries in Brazil and Argentina which were translated at the official rates in effect after currency devaluations in February and March 1967 respectively.
- (b) Fixed assets and related accumulated depreciation and amortization—translated at the approximate rates of exchange in effect at the dates of acquisition.
- (c) Capital stock—translated at the approximate rates of exchange in effect at the dates of acquisition.
- (d) Statement of income—translated at the average rate of exchange in effect during each year adjusted to reflect depreciation and amortization at historical dollar amounts. Gains and losses on translation have been reflected in the consolidated statement of income as incurred.

NOTE 2—GEOGRAPHICAL DISTRIBUTION OF OPERATIONS:

The geographical distribution of net assets and net income is as follows:

	Consoli- dated	Parent and Domestic Subsidiary	South Africa	Canada and England	Asia and Far East	South America
Net assets at December 31, 1966:						
Current assets	\$5,104,455	\$ 78,801	\$1,921,116	\$ 323,176	\$1,432,607	\$1,348,755
Less—Current liabilities	(4,383,783)	(57,013)	(1,379,139)	(252,738)	(1,508,080)	(1,186,813)
Dividend receivable (payable) between parent and subsidiaries		98,715	(58,968)			(39,747)
Other noncurrent assets—net	102,212	66,261	3		5	35,943
Fixed assets—net	346,478		52,294	37,696	90,824	165,664
	1,169,362	186,764	535,306	108,134	15,356	323,802
Deduct—Minority interest	301,430	42,421	259,009			
Net assets	<u>\$ 867,932</u>	<u>\$ 144,343</u>	<u>\$ 276,297</u>	<u>\$ 108,134</u>	<u>\$ 15,356</u>	<u>\$ 323,802</u>
Net income (loss)						
1966	\$ 307,944	\$ (58,696)	\$ 105,770	\$ 36,487	\$ 11,299	\$ 213,084
1965	290,834	(30,717)	122,878	87,030	(28,378)	140,021

Notes to Consolidated Financial Statements (con't)

NOTE 3—RESTRICTIONS ON REMITTANCE OF RETAINED EARNINGS OR UNREMITTED PROFITS TO THE UNITED STATES:

Subsidiaries and branches in the following countries have retained earnings or unremitted profits at December 31, 1966 (excluding \$199,363 of retained earnings of the parent company and its domestic subsidiary):

<i>Country</i>	<i>Amount</i>
Subsidiaries:	
Argentina	\$ 99,096
Chile	9,311
Venezuela	30,328
Canada	63,364
England	456
South Africa	115,134
	<u>317,689</u>
Branches:	
Hong Kong	23,749
India	5,451
Pakistan	16,625
	<u>45,825</u>
	<u>\$363,514</u>

Of the above total, \$348,053 was not restricted as to the remittance of funds to the United States at December 31, 1966.

All other branches and subsidiaries, all foreign, have accumulated deficits of \$175,654.

NOTE 4—U. S. TAXES ON INCOME:

No provision has been made for U. S. taxes which would be payable if undistributed earnings of the foreign subsidiaries were paid as dividends to the parent company, since these earnings have been invested in the businesses of these foreign subsidiaries. At December 31, 1966, allowable foreign tax credits are in excess of related U. S. taxes payable on income of the parent company and its domestic subsidiary.

ACCOUNTANTS' OPINION

To the Board of Directors and Shareholders of
Grant Advertising International, Inc.

In our opinion, based on our examinations and the opinions mentioned below of other independent accountants, the accompanying consolidated balance sheet and the related statements of consolidated income and retained earnings present fairly the financial position of Grant Advertising International, Inc. and subsidiaries at December 31, 1966 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of certain branches and subsidiaries were examined by other independent accountants and are included in the consolidated financial statements solely in reliance on the opinions of such accountants.

Chicago, Illinois
April 3, 1967

PRICE WATERHOUSE & CO.

